

THE OFFICE OF REGULATORY STAFF

**TESTIMONY AND EXHIBITS
OF**

M. ELIZABETH FORD

DECEMBER 20, 2007



DOCKET NO. 2007-319-W

**APPLICATION OF SOUTH ATLANTIC
UTILITIES, INC FOR APPROVAL OF AN
INCREASE IN RATES AND CHARGES**

TESTIMONY OF M. ELIZABETH FORD**FOR****THE OFFICE OF REGULATORY STAFF****DOCKET NO. 2007-319-W****IN RE: SOUTH ATLANTIC UTILITIES, INC.**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Elizabeth Ford, and my business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the state of South Carolina, Office of Regulatory Staff ("ORS") as a Program Specialist for the Water and Wastewater Department.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. In 2003, I graduated from Clemson University with a Bachelors of Arts in Sociology. After graduating from Clemson University, I was employed by the South Carolina Public Service Commission in Consumer Services assisting telecommunications customers. Later, I joined ORS with the transfer of consumer services responsibilities. In September of 2005, I was promoted to Lifeline Intake Manager. As the Intake Manager, I assisted and verified low-income individuals for the South Carolina Lifeline and Link-up program. In June 2007, I became the Program Specialist for the Water and Wastewater Division.

1 **Q. CAN YOU DESCRIBE YOUR RESPONSIBILITIES AS THE PROGRAM**
2 **SPECIALIST FOR WATER AND WASTEWATER WITH THE OFFICE**
3 **OF REGULATORY STAFF?**

4 A. Yes. My responsibilities include performing analyses and providing testimony in
5 formal proceedings before the Commission regarding rate base determinations,
6 rate schedules, general terms and conditions, cost of service and depreciation
7 studies, and compliance with applicable rules and regulations. In addition, my
8 responsibilities include monitoring federal activity to determine its impact on state
9 regulations and policies.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. The purpose of my testimony is to set forth the ORS staff findings relative to my
13 review of the rate increase application provided by South Atlantic Utilities, Inc.
14 ("South Atlantic"). Specifically, I will focus on South Atlantic's compliance with
15 the Public Service Commission ("Commission") rules and regulations, ORS's
16 audit of South Atlantic's water system, test-year revenue and proposed revenue
17 adjustments, and performance bond requirements.

18 **Q. ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**
19 **TESTIMONY AND ACCOMPANYING EXHIBITS?**

20 A. Yes, my testimony and the attached exhibits detail ORS's findings and
21 recommendations.

22 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**
23 **TESTIMONY AND EXHIBITS.**

1 I used ORS Business Audit results, information provided by South Atlantic in its
2 application and additional information provided by South Atlantic during the
3 course of our investigation. I also reviewed South Atlantic's financial statements
4 and performance bond documents submitted to the Commission.

5 **Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATION, SERVICE**
6 **TYPE AND CUSTOMER BASE SERVED BY SOUTH ATLANTIC.**

7 **A.** South Atlantic is a public utility providing water supply and distribution services
8 to 26 residential customers in the May River Plantation subdivision in Beaufort
9 County. South Atlantic is a National Association of Regulatory Utility
10 Commissioners ("NARUC") Class C water utility according to revenues reported
11 on its application for the test year ending December 31, 2006. South Atlantic is
12 headquartered in Savannah Georgia.

13 **Q. PLEASE EXPLAIN EXHIBIT MEF-1 OF YOUR REPORT.**

14 **A.** Exhibit MEF-1, consisting of 3 pages, provides a summary of the Business Office
15 Compliance Review completed by ORS. During the Business Office Compliance
16 Review, ORS reviewed South Atlantic's office records to determine compliance
17 with Commission rules and regulations.

18 South Atlantic uses an electronic database to capture customer account
19 transactions and customer invoices contain all required information and are issued
20 in a timely manner. South Atlantic invoices customers on a bi-monthly basis.
21 South Atlantic does not collect deposits from their customers or terminate service
22 due to non-payment.
23

1 **Q. PLEASE EXPLAIN EXHIBIT MEF-2 OF YOUR REPORT.**

2 **A.** Exhibit MEF-2 is a summary of the water supply and distribution system
3 completed by ORS on November 8, 2007. South Atlantic currently provides
4 adequate water distribution services to its residential customers. As required by
5 the Commission regulations, general housekeeping items including system entry
6 points, access roads and signage were satisfactory during the audit. ORS received
7 no customer complaints during South Atlantic's test year. South Atlantic has met
8 the 2006 Annual Report and 2006 Gross Receipts reporting requirements as well.

9 **Q. DOES ORS RECOMMEND ANY ADJUSTMENTS TO THE TEST YEAR**
10 **REVENUE?**

11 **A.** Yes. ORS completed a thorough review of South Atlantic's customer water
12 consumption and base facility charge ("BFC") revenue calculations for the test
13 year. Based on that review, ORS made revenue adjustment totaling \$107 to
14 normalize South Atlantic's test year water service revenues. In addition, ORS
15 made a \$500 adjustment to tap fee revenue which reflects tap fees paid by the
16 customers during the test year.

17 **Q. EXPLAIN THE TEST YEAR REVENUE COMPUTED BY ORS FOR**
18 **SOUTH ATLANTIC.**

19 **A.** South Atlantic converted to a new database in early 2007. As a result, South
20 Atlantic provided ORS water consumption information in a summarized format
21 for the test year. ORS used South Atlantic's current and proposed rates as
22 reflected in the application for each calculation. Using this summarized data,

1 ORS calculated South Atlantic's test year service revenue for water operations, as
2 adjusted, of \$8,844 (Exhibit MEF-3).

3 **Q. EXPLAIN THE PROPOSED WATER SERVICE REVENUE COMPUTED**
4 **BY ORS FOR SOUTH ATLANTIC.**

5 **A.** Due to the database conversion, South Atlantic is unable to provide customer
6 water consumption data in a format to enable analysis of the proposed inclining
7 block rate structure. ORS requested and received, from South Atlantic, water
8 consumption data for each customer for the twelve month period of November 30,
9 2006 through November 30, 2007. This current data enabled ORS to analyze the
10 inclining block rate structure proposed by South Atlantic and determine the
11 amount of additional revenue South Atlantic requested in its application.

12 Using this methodology, ORS calculated the proposed water service revenues, as
13 adjusted, of \$14,096 (Exhibit MEF-4). ORS did not factor customer growth into
14 this proposed service revenue.

15 **Q. PLEASE EXPLAIN EXHIBIT MEF-5 OF YOUR REPORT.**

16 **A.** Exhibit MEF-5 is a comparison of the current Commission approved rates for
17 South Atlantic and the proposed rates requested in South Atlantic's application.

18 **Q. PLEASE EXPLAIN THE STATUS OF THE PERFORMANCE BOND FOR**
19 **SOUTH ATLANTIC.**

20 **A.** South Atlantic has a current performance bond filed with the Commission for
21 water operations in the form of a Personal Financial Statement in the amount of
22 \$100,000. Based on the expenses from the test year and using the criteria set
23 forth in 26 S.C. Code Regs. 103-712.3.1, ORS determined that South Atlantic's

1 current performance bond satisfies the criteria as set forth in S.C. Code Ann.
2 Section 58-5-720 (Supp. 2006). (Exhibit MEF-6)

3 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

4 **A. Yes it does.**

EXHIBIT INDEX OF THE WATER/WASTEWATER DEPARTMENT

THE OFFICE OF REGULATORY STAFF

DOCKET NO. 2007-319-W

SOUTH ATLANTIC UTILITIES, INC.

M. ELIZABETH FORD TESTIMONY

EXHIBIT INDEX

<u>EXHIBIT NO.</u>	<u>EXHIBIT TYPE</u>	<u>PREPARED BY</u>
MEF-1	ORS Business Office Compliance Review	ORS
MEF-2	ORS Water System Inspection Report	ORS
MEF-3	Test Year Revenue Analysis	ORS
MEF-4	Proposed Rate and Revenue Analysis	ORS
MEF-5	South Atlantic Current and Proposed Rate Overview	ORS
MEF-6	Performance Bond Requirement	ORS

EXHIBIT MEF-1

REVIEW OF WATER SERVICES
SOUTH ATLANTIC UTILITIES, INC
DOCKET: 2007-319-W

The Office of Regulatory Staff (“ORS”) of South Carolina performed a Business Compliance audit of the revenue, customer complaint, and customer deposit records of South Atlantic Utilities, Inc. (“South Atlantic”) in preparation for this rate case. South Atlantic is a public utility providing water supply and distribution services to 26 residential customers in the May River Plantation subdivision in Beaufort County. South Atlantic’s headquarters’ are located in Savannah, Georgia.

The ORS Consumer Services Department did not receive any customer complaints regarding South Atlantic during the test year. Since the Notice of Filing was mailed to South Atlantic customers the Public Service Commission has received no Petitions to Intervene.

ORS determined South Atlantic provides adequate water supply and distribution services. Residents of May River Plantation are provided wastewater service by individual septic tanks. During South Atlantic’s latest sanitary survey performed by DHEC (10/30/2006), the water system was rated “Unsatisfactory”.



ORS BUSINESS OFFICE COMPLIANCE REVIEW

Utility: South Atlantic Utilities, Inc. (May River Plantation subdivision)

Inspector: Elizabeth Ford

Office: Savannah, GA

Utility Type: **Water**

Date: November 8, 2007

Company Representative: Jackie Watson and Tom Smith III

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with Rule R.103-710.	X		
2	Complaint records maintained in accordance with R.103-716		X	Customer complaints were not being recorded. The utility indicated it will record complaints and complaint resolutions in accordance with 103-716.
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-730.	X		ORS provided a copy of the new PSC regulations to utility.
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-730.		X	No customer complaints were made to ORS during the test year. South Atlantic did not have a copy of the PSC rules and ORS contact information available for customers during the inspection.
5	Deposits charged within the limits established by R.103-731.	X		No deposits are charged
6	Timely and accurate bills being rendered to customers in accordance with R.103-733.	X		Meters are read and bills are issued bi-monthly.
7	Bill forms in accordance with R.103-732.	X		
8	Adjustments of bills handled in accordance with R.103-733	X		
9	Policy for customer denial or discontinuance of service in accordance with R.103-735.	X		
10	Notices sent to customers prior to termination in accordance with Rule R.103-735.	X		South Atlantic has had no service terminations during the test year.

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-714-C.		X	South Atlantic had no DHEC violations during the Test Year 2006. In 2007, South Atlantic received a DHEC violation. ORS reviewed 103-714-C with utility.
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-730.	X		
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-714.	X		
14	Utility advised the Commission, in accordance with Rule R.103-712 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, and emergencies during non-office hours.	X		
15	Company verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the company has at present time.	X		26 customers
17	Company has a current performance bond on file with the Commission. Amount of bond: \$100,000	X		Personal Financial Statement is on file and valid until May 2008.
18	Utility maintains a documented Safety Program.	X		
19	Utility maintains a documented Emergency Response plan.	X		
20	Utility maintains a documented Preventative Maintenance plan.	X		
21	Utility submitted a current Annual Report.	X		
22	Utility is in compliance with Gross Receipts reporting and payment regulations.	X		

EXHIBIT MEF-2



ORS WATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected:	November 8, 2007
Inspector Name:	Elizabeth Ford
Docket Number:	2007-319-W
Utility Name:	South Atlantic
Utility Representative:	Tom Smith III
Number of Customers:	26
System Type (distribution, well, etc):	Well
Location of System:	Beaufort County
Location of Utility Office:	Savannah, GA
Treatment Type:	None
Permit #:	0750005
Last SC DHEC Compliance Rating:	Unsatisfactory 10/30/06
Frequency checked by Licensed Operator:	Weekly
Wastewater Provider:	Individual septic tank

Inspection Overview

	System Components Inspected	Specific Type	#	PSI	Capacity	Compliance		Comments
						Yes	No	
1	Well Sites		1	60		X		
2	Pump Houses		1				X	
3	Storage Tank	Pressurized	1		5,000gal	X		See Comments
3a	Storage Tank	Non-Pressurized				NA	NA	Tank was painted 11/2007
3b	Storage Tank	Overhead				NA	NA	
4	Chlorinator					X		
5	Other Chemicals in use					X		No Treatment
6	Meters					X		
7	Fire Hydrants					X		
8	Electrical Wiring acceptable					X		Blow off only
9	Piping acceptable					X		
10	Water free of air					X		
11	Water free of sand					X		
12	Water clarity					X		
13	System free of leaks					X		
14	Water free of observed odor					X		
15	Access road adequate					X		
16	Ability for service area to expand					X		No ability to expand

Additional Comments:

Operator log, permit, and map were not available at time of inspection.

EXHIBIT MEF-3

SOUTH ATLANTIC UTILITIES, INC.
2007-319-W
TEST YEAR REVENUE ANALYSIS

EXHIBIT MEF-3

Calculated South Atlantic Test Year Revenue at Current Rates

Customer Classification	Customer Invoices Issued (1)	Base Facility Charge/Tier 1 Rate	Tier 1 Total Revenue	Total Gallons of Water Billed Over 20,000 (2)	Tier 2 Rate	Tier 2 Total Revenue	Test Year Calculated Revenues
<i>Residential</i>	312	\$22.00	\$6,864	1,979,690	\$1.00	\$1,980	\$8,844

(1) Customer Invoices Issued calculation is based upon 26 customers billed bi-monthly at a BFC rate of \$44.00 (\$22.00 X 2 = \$44.00).

(2) South Atlantic includes 10,000 gallons of water consumption in the BFC. Since SAU bills on a bi-monthly basis, 20,000 gallons are included in the BFC charge.

EXHIBIT MEF-4

SOUTH ATLANTIC UTILITIES, INC
2007-319-W
PROPOSED RATE AND REVENUE ANALYSIS

EXHIBIT MEF-4

Proposed Revenue: Base Facility Charge/Tier 1 (up to 10,000 gallons)

Customer Classification	Customer Invoices Issued (1)	Base Facility Charge/ Tier 1 Rate	Proposed Tier 1 Total Revenue	Total Water Consumption (2)
<i>Residential</i>	312	\$34.00	\$10,608	3,213,690

Proposed Revenue: Tier 2 (10,000 - 20,000 gallons)

Customer Classification	Proposed Tier 2 Rate	Water Consumption Tier 2 (gal)	Proposed Tier 2 Total Revenue
<i>Residential</i>	\$2.00	670.50	\$1,341

Proposed Revenue: Tier 3 (20,000 - 40,000 gallons)

Customer Classification	Proposed Tier 3 Rate	Water Consumption Tier 3 (gal)	Proposed Tier 3 Total Revenue
<i>Residential</i>	\$2.50	538	\$1,345

Proposed Revenue: Tier 4 (Over 40,000 gallons)

Customer Classification	Proposed Tier 4 Rate	Water Consumption Tier 4 (gal)	Proposed Tier 4 Total Revenue
<i>Residential</i>	\$3.00	267	\$802

Total Proposed Revenue

Customer Classification	Test Year Calculated Revenues	Total Proposed Revenues	Increase Amount (3)	Percentage Increase
<i>Residential</i>	\$8,844	\$14,096	\$5,252	59.38%

(1) Customer Invoices Issued calculation is based upon 26 customers billed bi-monthly at a BFC rate of \$68.00 (\$34.00 X 2 = \$68.00).

(2) Total Consumption is based on customer water consumption data provided by SAU for November 2006 - November 2007. South Atlantic includes 10,000 gallons of water consumption in the BFC. Since SAU bills on a bi-monthly basis, 20,000 gallons are included in the BFC charge.

(3) Increase Amount is difference between Test Year revenue based on summarized customer water consumption data and Proposed Revenue based on customer water consumption data from November 2006 - November 2007.

EXHIBIT MEF-5

SOUTH ATLANTIC UTILITIES, INC.
2007-319-W
PROPOSED RATE COMPARISON

EXHIBIT MEF-5

Customer Classification			Base Charge				Consumption Charge			
	Service Type	Billing Unit of Measure	Current Base Rate (1)	SAU Proposed Base Rate	Total Amount of Increase	Percent Increase	Current Consumption Rate	SAU Proposed Consumption Rate	Total Amount of Increase	Percent Increase
Residential	Tier 1 BFC (0-10,000 gallons)	per unit	\$22.00	\$34.00	\$12.00	54.55%	\$0.00	\$0.00	\$0.00	\$0.00
	Tier 2 (10,000-20,000 gallons)	per 1,000 gallons	\$0.00	\$0.00	\$0.00	0.00%	\$1.00	\$2.00	\$1.00	100.00%
	Tier 3 (20,000-40,000 gallons)	per 1,000 gallons	\$0.00	\$0.00	\$0.00	0.00%	\$1.00	\$2.50	\$1.50	150.00%
	Tier 4 (Over 40,000 gallons)	per 1,000 gallons	\$0.00	\$0.00	\$0.00	0.00%	\$1.00	\$3.00	\$2.00	200.00%

EXHIBIT MEF-6

SOUTH ATLANTIC UTILITIES, INC.
2007-319-W
PERFORMANCE BOND CALCULATION

EXHIBIT MEF-6

Bond Value Components	South Atlantic Utilities, Inc. - Water		
	Per Company Books	After Accounting & Pro Forma Adjustments	After Company's Proposed Increase
Operation & Maintenance Expenses	\$3,363	\$2,534	\$2,534
General & Administrative Expenses	\$6,999	\$7,301	\$7,301
Taxes Other than Income	\$69	\$64	\$101
Income Taxes	\$0	\$0	\$800
Bond Value Requirement	\$10,431	\$9,899	\$10,736

Current Performance Bond Structure	Bond Value	Expiration Date
Personal Financial Statement	\$100,000	05/01/08